KARNATAKA STATE AKKAMAHADEVI WOMEN'S UNIVERSITY VIJAYAPUR

Role of Commercial Banks in Financial Inclusion with Special Reference to Mudra Yojana: A Case Study on Dharwad District, Karnataka State

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INTRODUCTION

Banking system is an integral part of the financial system. The economic development of the nation is highly depends on a sound banking system, which can facilitate mobilization of financial resources and channel them towards productive purpose which will results to high degree of capital formation.

Banking industry in India has undergone remarkable changes during last decade. The government of India 1992 initiated financial and banking sector reforms. The period of economic reforms has witnessed the key catalytic role played by banks in the achievement of high growth in Indian economy. While the benefits of growth due to reforms have concentrated in the hands of those already served by formal financial system. A large section of the poor still does not have access to the formal banking channel further, the backward region of the country lack basic financial infrastructure.

The banking industry has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all these areas relating to the financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, has specially the under privileged sections of the society, into the fold of basic banking services. Around 50% of the Indian population suffers from chronic poverty and hunger. Only 31% of Indian population has access to banking services. The rest 69% are still deprived of the bare minimum banking services for which they are totally dependent on informal banking sources like private money lenders.

To have equal development of the people of the country there should be an equal opportunities for access and usage of the various financial services. It is also viewed that financial exclusion is most among low income groups. Lack of opportunities and access to finance, financial illiteracy, besides poor performance, apathy and negative approaches of banks are reasons of financial exclusion. To overcome this disparities the financial inclusion needs to be implemented and executed effectively to achieve inclusive growth.

Financial inclusion is delivery of financial services like Bank accounts, Saving products, Remittances and payment services, Insurance, financial advisory services, Entrepreneur credit, Micro finance and Micro credit to weaker sections.

Financial inclusion is one of the most important phenomena in the present scenario for inclusive growth and development of economies. The financial inclusion term was first time used by British Lexicon. In India the idea of inclusive financial system has been drawn late to 1960, after the nationalization of 14 banks in 1969. This was intended to shift the class banking to mass banking. In India financial inclusion was first featured in 2005, when it was introduced from Pilot Project in UT of Pondichery by K C Chakraborthy, the Chairman of India Bank. He defined the term Financial Inclusion defined "The process of ensuring access to appropriate financial products and services needed by all sections of the society in general and vulnerable groups such as weaker sections and low income group i particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players.

According to Dr. C. Rangrajan, chairman, the committee of financial inclusion, defined as "The process of ensuring access to financial services and credits where needed by vulnerable groups such as weaker section and low income groups at an affordable cost.

According to Planning Commission (2009), "The financial inclusion refers to the universal access to a wide range of financial services at reasonable cost. These include not only banking products but also other financial services such as insurance and equity products"

According to Nupur Acharyer, "Real Financial Inclusion should ensure that a range of financial services are available to every individual. This includes a basic bank account, saving products suited to poor household, money transfer facilities, small loans, overdrafts and Insurance"

According T J Sehadri, "Financial Inclusion is key path to poverty alleviation. In defining financial inclusion, it is important to see as a progression and hierarchy of financial needs, which begins with the most basic needs, such as a secure account for holding payment transactions funds and bill payment and moves to more complex ones such as borrowing and Insurance"

"Mahatma Ghandi tried to end un-touchabality in the society if we want to eradicate poverty, we need to rid of finical untouchability ''

Narendra Modi, Prime Minister

In India most of the people are depending upon small scale business as their source of livelihood. Most of the individuals depend on unorganized sectors for loans and other facilities which have high rate of interest along with unbearable terms and conditions. They do not maintain proper books of accounts are not formally covered under taxation areas. Therefore, the banks find it difficult to lend to them. Majority of this sector does not access outside source of finance. To remove the financial difficulties faced by Micro and Small business units the GOI launched a scheme on 8th April 2015 called Micro Unit Development & Refinance Agency to fund the unfunded the scheme of Pradhan mantra Mudra Yojana (PMMY).

This agency would be responsible for developing and refinancing all Micro enterprises sector by supporting the financial institutions which are in the business of lending to Micro/Small trading and services activities. MUDRA has been setup for funding the unfunded. MSME contributes around 8% to GDP. Mudra Bank with a corpus of Rs.20, 000 crore and credit guarantee fund of Rs.3,000 crore is setup by GOI to support financialinstitutions.

MUDRA has benefited and will benefit and will benefit in future to small manufacturing units, fruits and vegetable vendors, beauty parlors and salon, truck and auto taxi operators artisans in rural and semi rural areas with financing aids from Rs.50,000 to 10 lack depends upon the business categories (Shishu, Kishore and Tarun) of the business unit or entrepreneurs.

For getting loan under MUDRA Yojana business units or entrepreneurs have to contact their nearest Public or Private Banks or RRBs or other authorized NBFCs/MFIs with their business plan. After sectioned the loan from MUDRA Yojana, business units/entrepreneurs will get a MUDRA card like credit card which can be used for purchasing business raw materials etc. The card's limit will be 10% of the loan amount subject to maximum Rs.10,000. Many entrepreneurs or small business units have availed finance under this scheme since its launching.

The MUDRA scheme is trying its best to improve the status of women and other backward sections of the society especially those who are not well educated and semi skilled,

the financial supporting the form f various loans encouraging them to start new ventures and thereby empowering them. Its impact in developing a strong economy will be seen in the coming years.

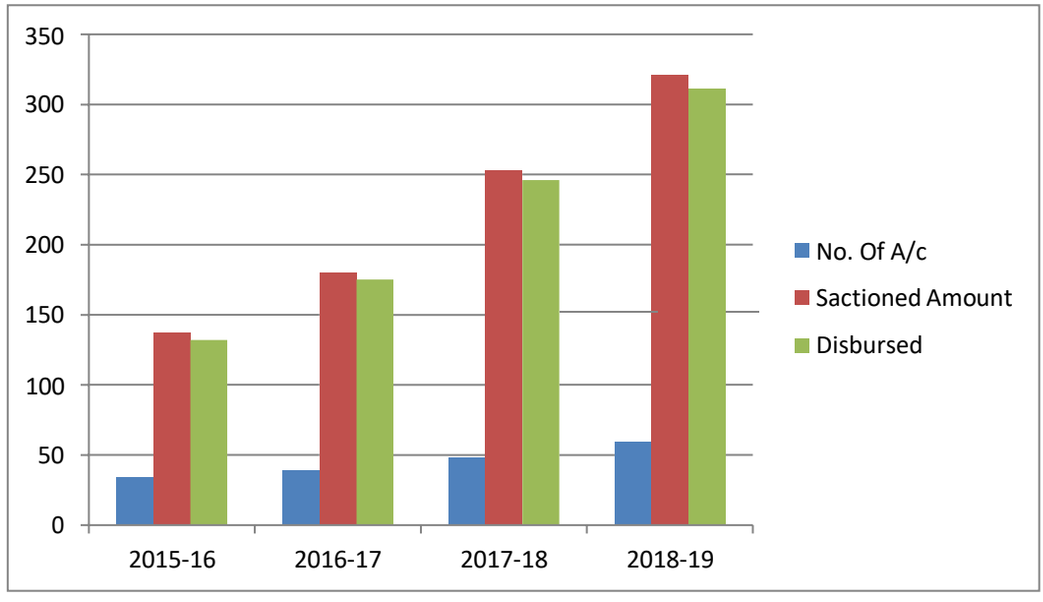
Table: 1

Status of Mudra Yojana in SBI over the years

YEAR	No. Of A/cs	Sanctioned Amount (crores)	Disbursed (crores)
2015-16	34880924	137449.27	132954.73
2016-17	39201047	180526.54	175312.13
2017-18	48130593	253677.10	246437.40
2018-2019	59870318	321722.79	311811.38

Sources: Mudra website

Chart 1-Status of Mudra Yojana



No. Of Accounts, Loan amount sanctioned and Disbursed are the important indicators of Mudra Yojana. The above the table shows that Mudra loan amount sanctioned and disbursed in SBI has considerably increased to 32%, 40% and 53% during 2016, 2017 and 2018 respectively. It indicates Mudra Scheme helping weaker sections of the society to become self employed. It is trying its best to improve the standard living of women as well as other backward sections of the society by providing financial support to start new venture and thereby empowering them.

In the light of the above scenario if Mudra scheme works well in future, then there willbe increased market share for the domestic products.

Literature Review

1. Vikram Singh in his article on "Role of Commercial banks in the Financial Inclusion Programme in India" discussed the issues and challenges faced by India like Spatial distribution of banking services, increase the bank branches, poverty level. He suggested the financial inclusion should not be seen as a social responsibility of the Governments and the banking system but it is potentially viable business proposition which provides opportunities to build savings make investments and get credit. Finally he concluded that banks have played a significant role in FI but the ground reality is that the actual access to banking products is quite low.

2. Sumi Goswami in his paper on "Role of Public Sector Banks in Financial inclusion" analyses the performance of Public sector banks in financial inclusion goal. This pare presents the efforts of RBI and GOI like opening of new frill accounts, setup Business correspondence, relaxation in KCC norms, Pradhan Mantra Jan Dhan Yojana etc. He opined that the public sectors are providing services more efficiently and effectively than the private sector banks in mixed economy. Finally he suggested that the public sector banks have to improve their performance and networks at gross root sector.
3. Rainath M P [2014] in his article "Role of Commercial banks in the Financial Inclusion", throw light on financial inclusion initiatives taken by commercial banks like Financial Literacy, Credit Counselling, BC Model, KCC, Mobile Banking etc.

   He also points out RBI guidelines, which indicates the banks in India should implement financial initiatives to provide the banking services to low income group at an affordable cost.

4. Prof. A Sudhakar & Dr. T Sudha Singh in his study "Financial inclusion: The Roleof SBI & Govt. Analysed the RBI initiatives to ensure that Financial Inclusion is successful in our country. The RBI has been providing bouquet of products to meet the needs of different customers for depositing, withdrawals, payments services. He opined that the banks have been doing a lot to bring large segment of the population inthe umbrella of financial inclusion yet there are a few people who are not within the ambit of banking services.
5. Ankita Birla in his study "Role of Commercial banks in Financial Inclusion: A studyin respect to Indian Economy" examines the banks are opening more branches in rural and semi urban areas to include rural and unbanked people into the financial system. He also

points out that the initiatives taken by government of India have mixed impacton Indian economy. He suggested overcoming deficiencies by government through more optimized execution strategy.

6. C.Paramsivan & V Ganesh Kumar in his article "Overview of Financial Inclusion in India shows how branch density in state measures the opportunity for financial inclusion in India. The paper suggests to achieve synergies between technologies provides and banking channels to expand reach. He expresses the feeling that to achieve financial inclusion by not only creating investment awareness and significantly improving the investment opportunities.
7. Prof N S Rao & Mrs. Harshita Bhatnagar [2012] in their article "Financial Inclusion: Issues & Prospectus" investigates the importance and current scenario of the financial inclusion on the basis of facts and data provided by various secondary sources. He felt that need of technology with a human touch which acts as a ladder to achieve the goals financial inclusion. Therefore Bank should take extra are to ensure that poor are not driven away from banking.
8. Dr. M M Ghandi in his article "Financial inclusion in India" critically evaluates the initiatives taken by banks in financial inclusion and efforts made IT enabled financial services; which is based on RBI's report and empirical studies.

   He stress on the need of matured positive attitude and approach and sound strategy to achieve complete financial inclusion. He concluded banks in India would be a great service to the cause of financial inclusion. It may be social responsibility for the banks in the short-run but will turn out to be business opportunity in the long- term. Only sound and strong institutions can promote financial inclusion and prudent inclusion while protecting financial stability and consumer interest.

9. Mohan KrishnaIrrinki, Kuberulu Burlakanti [2017] in his paper "Progress of financial inclusion through FIPs of scheduled commercial banks" aims at the evaluation of financial inclusion through the various parameters considered for the froth of financial inclusion. He also points out that the banks through efforts of their branches and business correspondence are proving to be emerging and yielding netter results. He suggested commercial banks to provide awareness about the products and then protecting the customer interest. He also suggested conducting financial literacy camps in the rural areas on a continuous basis, which in turn help in spiking the economic development of the country.

10. Paramjit Singh & Chhavi kiran in their article "A Study on status of Financial Inclusion in India" on the basis of the analysis conducted certain observations have been made and according certain suggestions can be incorporated in India. Banking system to improve the progress of achieving financial inclusion in India. He suggested that private banks are not very active participants of financial inclusion. So private banks should se the untapped potential in rural banking sector as it can help in increasing their customer base to a greater extent. RBI must form a team with some industry experts of private banks to indentify the main reason for lack of banking services in rural India.
11. Mahamad Shahid and Mahammad Ireshad in his article "A Descriptive Study on Pradhan Mantri MUDRA Yojana" analysed the performance of Mudra Yojana in Infant stage. This paper attempts to analyse product offerings and performance of MUDRA scheme.
12. Ashish Mahajan [2018] in his paper "An Analysis of Performance & Impact of Mudra Yojana under PMMY in 2016" highlights the role and importance of Mudra bank towards the small business units. He observed through various researches about women entrepreneurs in India that lack of capital income, lack of proper education, lack of collateral that held women back. He concluded that with the help of MUDRA the financial support in the form of various loans encouraging them to start new ventures and developing a strong economy will be seen in the coming years.
13. Manpreet Kaur in his article "Pradhan Mantri Jan Dhan Yojana : A journey Phase 1 to Phase 2" discussed various attributes of this scheme highlighting the difference between actual provisions and wrong perceptions created among people. He also discussed PMDJY Phase-2 has been efficiently implemented promoting financial literacy and acting as platform for creating habit of saving, providing subsidies to poor people, running welfare programmes for such low income groups.

    Phase-2 is in its initial stage. It is having the most attractive feature ofoverdraft facility which is not clear to most of the people opening the account, as it is having certain secret conditions known only to bankers and are left to discretion of bankers.

14. Praveen Kumar Nimbrayan & Nitin Tanwar in his article "Pradhan Mantri Jan Dhan Yojana: The Biggest Financial Inclusion Initiative in the World" reviewed the current status of PMDJY and financial inclusion in India. For the sustainable growth of the Indian economy the PMDJY is an innovative idea which empowers the alternative technique to encourage the banking traditions and acts as an enable in reducing the poverty. He studied that 18.28 crores accounts opened in rural by RRB, Public sector.

PMDJY 100% successes achieved in North zone in India. He concluded overall PMDJY is an ambitious financial inclusion plan in India.

15. Neha Sharma in her article "Policies and initiatives of financial inclusion India" highlighted the basic concerns and issues of initiatives taken by GOI and RBI like establishment of Co-operative banks, Nationalization of banks, Lead bank scheme, Priority sector leading, Establishment of RRB's, Self Help Group (SHG), Kisan Credit Card, GCC, Micro Insurance, opening of No-frill accounts, PMDJY etc. He suggested that GOI should implement such a policy for whole financial sector which considers technological advancements in finical literacy, capacity building and awareness programmes especially in rural areas with a view to economic development of the country.

Research Gap

Several studies on the status of Financial Inclusion in India have been conducted to achieve the positive attitude, approach and strategy to achieve complete financial inclusion. On the other hand few more studies have been conducted on role of commercial banks in financial inclusion to study the impact of financial inclusion on growth of Indian economy and to address the issue of financial exclusion in holistic manner.

It is evident from the literature review that no intensive study has been found on Mudra Yojana to highlight the performance of Mudra scheme in Dharwad district. Hence, the present study focused on role of commercial banks in implementing Mudra scheme at Dharwad district.

Significance of the Study

Achieving inclusive growth is a challenging to Government of India. GOI has been making concerted efforts to promote Financial Inclusion as one of the important national objective of the country. In this regard the GOI has introduced the financial initiative MUDRA Yojana which provides the financial assistance to small scale enterprises, so that they can participate in mainstream financial activities and directly contribute to Indian economy. Scheme is well accepted by banking and other institutions.

The research work is about the role of commercial banks, Dharwad district in achieving Financial Inclusion. Efforts undertaken by GOI National level, State level and District level under MUDRA Scheme is elaborately studied to highlight the better reach and use of financial services under financial inclusion. On the other hand the study will be conducted on Dharwad

district beneficiaries, which helps to associate relationship between improvement in social, economic and general conditions with financial inclusion.

Scope of the Study

As banking comes under public service, it must reach every one without any discrimination. To achieve universal financial inclusion the support and participation of all stakeholders like policymakers, regulators and public at large is needed. The financial inclusion initiative Mudra Yojana at national level, State level and District level is included in the study. The present study considers Dharwad district for the case study, it attempts to highlight the expansion that has taken place in banking sector under the scheme of Pradhan Mantri Mudra Yojana. The study also includes the beneficiaries point of view as it tries to find out the demographic profile of the respondents, level of awareness on Mudra scheme, satisfaction level of beneficiaries over the functioning of the scheme and impact made by the scheme and problems faced by the respondent.

Statement of the Problem

Indian government implemented many initiatives since independence of financial inclusion and launched PMMY to overcome the loopholes of previous initiative problems. PMMY tries to improve the status of women and other backward sections of the society especially illiterate and semiskilled people. It gives financial support in the form of various loans encouraging them to start new ventures.

Commercial banks are the leading banks in India, have a key role in financing unfunded sector of the society and promote financial inclusion. But commercial banks have faced the challenges over the couple of years. The major issues like NPA, insufficient amount to loan disbursement, no record for employment generated under Mudra scheme etc have become most important challenges.

In the light of this scenario, the examination of PMMY practices followed by commercial banks, ascertainment of the gaps in the performance of different spheres of Mudra Yojana and proposing the measures for strengthening Mudra in banks become essential.

Hence, the statement of the problem: **Role of Commercial Banks in Financial Inclusion with Special Reference to Mudra Yojana: A Case Study on Dharwad District, Karnataka State.**

Objectives of the Study

- To study theoretical framework of Financial inclusion in India
- To analyze the different schemes for financial inclusion in banking sector.
- To assess the awareness level of the people regarding Mudra Yojana.
- To evaluate the performance of Mudra Yojana.
- To examine the socio-economic profile of Mudra beneficiaries before and afterMudra Yojana in Dharwad district
- To evaluate the impact of Mudra on sample beneficiaries.
- To analyze the problems faced by the beneficiaries of Mudra and commercial banks.

Hypothesis

Ho_1: There is significant impact of Mudra Yojana on Employment opportunities.

Ho_2: There is significant impact of Mudra Yojana on Women Empowerment

Ho_3: There is significant impact of Mudra Yojana on standard of living of sample beneficiaries

Ho_4: There is significant impact of Socio-economic status of beneficiaries before and after Mudra loan

Research Methodology

Data Collection Approach

a) Secondary Data

Secondary data for this research is collected from different sources like:

a) Business Magazines

b) National Statistical survey

c) Internet-Mudra website

d) Banks and Financial Institutions

b) Primary data

Primary data for this research is collected from;

a) The officials of the Banks

b) Survey is conducted on the Mudra beneficiaries in Hubli-Dharwad.

Sampling Process

Sampling size: 475 samples

Sample selection: The selection of the samples will be done randomly. The samples will be surveyed based on the questionnaire prepared and the response will be recorded for analysis.

Statistical tools & Techniques used for analyzing the data

The following are the tools and techniques used in the research for analyzing the primary data collected through sample survey method for getting realistic results.

1. Table bar diagram and structures will be used in explanations to bring out the point more clearly.
2. Tabulation of the primary data will be done.
3. Statistical techniques used for the study are as follows:
   - **a)** Percentage method
   - **b)** Standard deviation and mean
   - **c)** Z Test and T-test
   - **d)** Chi-Square
   - **e)** ANOVA

Limitations of the Study

1. Performance of the entire bank in the spare of Mudra Yojana may not reflect completely on primary and secondary data collected.
2. The result of the study is applicable only to the Dharwad district of Karnataka, may not hold good in other parts of the country.

Proposed Chapter Scheme

Chapter I: Introduction

It deals with introduction, major concepts of the current study, significance, scope of the study, statement of the problem, methodology, objectivesand hypothesis of the study.

Chapter II: Literature Review

It presents theoretical base in support of this work and an extensive literature review to indentify the research gap.

Chapter III: Conceptual Framework

This chapter presents the significance, objectives of PMMY and performance of PMMY at three levels viz. India, Karnataka and Dharwad district during the period of seven years. It also deals with success stories of PMMY.

Chapter IV: Performance of different schemes of Mudra Yojana

It provides bird's eye view of attempts of Mudra at National level, State level and District level.

Chapter V: Socio-economic impact on Mudra beneficiaries

This is based on primary data collected from field work. The primary data collected from SBI regional office operating in the Dharwad district and sample beneficiaries of Mudra Yojana has been analyzed by using proper methodology

Chapter VI: Operational Problems of Bankers

It provides operational problems faced by the bankers during before implementation and after implementation of Mudra Yojana.

Chapter VII: Findings and Suggestions

It presents research findings related to the study, which helps to make policy suggestions for overall financial inclusion.

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